
SENATE BILL 5756

State of Washington

60th Legislature

2007 Regular Session

By Senators Franklin, Jacobsen, Kline, Murray, Kohl-Welles, Fairley, Spanel and Regala

Read first time 01/31/2007. Referred to Committee on Health & Long-Term Care.

1 AN ACT Relating to health care financing; amending RCW 41.05.130,
2 66.24.290, 82.24.020, 82.26.020, 82.08.150, 43.79.480, and 41.05.220;
3 reenacting and amending RCW 41.05.120; adding new sections to chapter
4 82.02 RCW; adding a new chapter to Title 43 RCW; creating new sections;
5 repealing RCW 82.04.260 and 48.14.0201; making an appropriation;
6 providing effective dates; and providing an expiration date.

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

8 NEW SECTION. **Sec. 1.** (1) There is a crisis in health care
9 accessibility, affordability, and choice in Washington state. Health
10 care through insurance companies has failed to control costs, increase
11 access, or preserve choice. More than six hundred thousand Washington
12 residents have no health care coverage. Individual plans are
13 unavailable in most counties. Many clinics, physician practices, and
14 emergency departments, especially in rural areas, are closing or
15 operating at a loss. Employers, faced with fewer choices and more
16 expensive premiums, are reducing employment-based health care coverage.
17 Simplifying health care financing and eliminating administrative waste
18 inherent in multiple insurance plans can create sufficient savings to

1 extend health care coverage to all residents and enhance fairness in
2 the system.

3 (2) The people of the state of Washington declare their intent to
4 create a framework and process to involve the citizens of Washington
5 state in the creation of a single financing entity called the
6 Washington health security trust. Through public hearings, research,
7 and consensus building, the trust will accomplish the follow goals:

- 8 (a) Provide fair, simple, and accountable health care financing for all
- 9 Washington residents using a single health care financing entity;
- 10 (b) cover a comprehensive package of effective and necessary personal
- 11 health services;
- 12 (c) make health care coverage independent from
- 13 employment;
- 14 (d) eliminate excessive administrative costs resulting from
- 15 the current fragmented system of multiple insurers;
- 16 (e) generate
- 17 savings sufficient to ensure coverage for all Washington residents;
- 18 (f) integrate current publicly sponsored health programs into the health
- 19 security trust;
- 20 (g) preserve choice of providers for Washington
- 21 residents;
- 22 (h) protect patient rights;
- 23 (i) keep clinical decisions in
- 24 the hands of health professionals and patients, rather than
- 25 administrative personnel;
- 26 (j) promote health care quality; and
- 27 (k) control excessive health care costs.

21 NEW SECTION. **Sec. 2.** The definitions in this section apply
22 throughout this chapter unless the context clearly requires otherwise.

23 (1) "Board" means the board of trustees of the Washington health
24 security trust, created in section 3 of this act.

25 (2) "Capitation" means a mechanism of payment in which a provider
26 is paid a negotiated monthly sum and is obliged to provide all covered
27 services for specific patients who enroll with that provider.

28 (3) "Case rate" means a method of payment based on diagnosis. Case
29 rate assumes that a given set of services shall be provided and the
30 rate is based on the total compensation for those services.

31 (4) "Chair" means the presiding officer of the board.

32 (5) "Employer" means any person, partnership, corporation,
33 association, joint venture, or public or private entity operating in
34 Washington state and employing for wages, salary, or other
35 compensation, one or more residents.

36 (6) "Federal poverty level" means the federal poverty guidelines

1 determined annually by the United States department of health and human
2 services or its successor agency.

3 (7) "Group practice" or "group" means a group of practitioners
4 voluntarily joined into an organization for the purpose of sharing
5 administrative costs, negotiating with payers and controlling the
6 circumstances of their medical practice, and, in some cases, sharing
7 revenues. The group may be of a single specialty or include more than
8 one specialty.

9 (8) "Health care facility" or "facility" includes any of the
10 following appropriately accredited entities: Hospices licensed
11 pursuant to chapter 70.127 RCW; hospitals licensed pursuant to chapter
12 70.41 RCW; rural health care facilities as defined in RCW 70.175.020;
13 psychiatric hospitals licensed pursuant to chapter 71.12 RCW; nursing
14 homes licensed pursuant to chapter 18.51 RCW; community mental health
15 centers licensed pursuant to chapter 71.05 or 71.24 RCW; kidney disease
16 treatment centers licensed pursuant to chapter 70.41 RCW; ambulatory
17 diagnostic, treatment, or surgical facilities licensed pursuant to
18 chapter 70.41 RCW; approved drug and alcohol treatment facilities
19 certified by the department of social and health services; home health
20 agencies licensed pursuant to chapter 70.127 RCW; and such facilities
21 if owned and operated by a political subdivision or instrumentality of
22 the state and such other facilities as required by federal law and
23 implementing regulations.

24 (9) "Health care practitioner" or "practitioner" means a person
25 licensed or certified under Title 18 RCW or chapter 70.127 RCW, and
26 covered by the all categories of provider law, RCW 48.43.045, providing
27 health care services in Washington state consistent with their lawful
28 scope of practice.

29 (10) "Health care provider" or "provider" means any health care
30 facility, or health care practitioner or group practice licensed or
31 certified under Washington state law to provide health or
32 health-related services in Washington state.

33 (11) "Income" means the adjusted gross household income for federal
34 income tax purposes.

35 (12) "Long-term care" means institutional, residential, outpatient,
36 or community-based services that meet the individual needs of persons
37 of all ages who are limited in their functional capacities or have
38 disabilities and require assistance with performing two or more

1 activities of daily living for an extended or indefinite period of
2 time. These services include case management, protective supervision,
3 in-home care, nursing services, convalescent, custodial, chronic, and
4 terminally ill care.

5 (13) "Native American" means an American Indian or Alaska native as
6 defined under 25 U.S.C. Sec. 1603.

7 (14) "Payroll" means any amount paid to Washington state residents
8 and defined as "wages" under section 3121 of the internal revenue code.

9 (15) "Resident" means an individual who presents evidence of
10 established, permanent residency in the state of Washington, who did
11 not enter the state for the primary purpose of obtaining health
12 services. "Resident" also includes people and their accompanying
13 family members who are residing in the state for the purpose of
14 engaging in employment for at least one month. The confinement of a
15 person in a nursing home, hospital, or other medical institution in the
16 state may not by itself be sufficient to qualify such person as a
17 resident.

18 (16) "Trust" means the Washington health security trust created in
19 section 3 of this act.

20 NEW SECTION. **Sec. 3.** An agency of state government known as the
21 Washington health security trust is created. The purpose of the trust
22 is to provide coverage for a set of health services for all residents.

23 NEW SECTION. **Sec. 4.** (1) The trust shall be governed by a board
24 of trustees. The board consists of nine trustees selected for
25 expertise in health care financing and delivery, and representing
26 Washington citizens, business, labor, and health professions. The
27 initial trustees shall be appointed by the governor, subject to
28 confirmation by the senate. The governor shall appoint the initial
29 board by December 31, 2007. Of the initial trustees, three shall be
30 appointed to terms of two years, three shall be appointed to terms of
31 four years, and three shall be appointed to terms of six years.
32 Thereafter, trustees shall be elected to six-year terms, one trustee
33 from each congressional district; the first class of trustees shall be
34 elected from the first, second, and ninth congressional districts; the
35 second class from the third, seventh, and eighth congressional
36 districts; and the third class from the fourth, fifth, and sixth

1 congressional districts. The governor shall appoint a trustee to serve
2 the remaining term for a vacancy from any cause. The initial board
3 shall convene no later than March 15, 2008.

4 (2) Members of the board shall have no pecuniary interest in any
5 business subject to regulation by the board. Members of the board are
6 subject to chapter 42.52 RCW.

7 (3) The initial, appointed members of the board shall occupy their
8 positions on a full-time basis and are exempt from the provisions of
9 chapter 41.06 RCW. The elected trustees shall occupy their positions
10 according to the bylaws, rules, and relevant governing documents of the
11 board. The board and its professional staff are subject to the public
12 disclosure provisions of chapter 42.17 RCW. Trustees shall be paid a
13 salary to be fixed by the governor in accordance with RCW 43.03.040.
14 Five trustees constitute a quorum for the conduct of business.

15 (4) One member of the board shall be designated by the governor as
16 chair, subject to confirmation by a majority of the other trustees.
17 The chair shall serve in this capacity, subject to continuing
18 confidence of a majority of the board.

19 (5) If convinced by a preponderance of the evidence in a due
20 process hearing that a trustee has failed to perform required duties or
21 has a conflict with the public interest, the governor may remove that
22 trustee and appoint another to serve the unexpired term.

23 NEW SECTION. **Sec. 5.** (1) Subject to the approval of the board,
24 the chair shall appoint two standing committees.

25 (a) A citizens' advisory committee shall have balanced
26 representation from health experts, business, labor, and consumers.
27 The citizens' advisory committee shall hold public hearings on
28 priorities for inclusion in the set of health services, survey public
29 satisfaction, investigate complaints, and identify and report on health
30 care access and other priority issues for residents.

31 (b) A technical advisory committee shall have members with broad
32 experience in and knowledge of health care delivery, research, and
33 policy, as well as public and private funding of health care services.
34 The technical advisory committee shall make recommendations to the
35 board on technical issues related to covered benefits, quality
36 assurance, utilization, and other issues as requested by the board.

1 (2) The board shall consult with the citizens' advisory committee
2 at least quarterly, receive its reports and recommendations, and then
3 report to the governor and legislature at least annually on board
4 actions in response to citizens' advisory committee input.

5 (3) Subject to approval of the board, the chair may appoint other
6 committees and task forces as needed.

7 (4) Members of committees shall serve without compensation for
8 their services but shall be reimbursed for their expenses while
9 attending meetings on behalf of the board in accordance with RCW
10 43.03.050 and 43.03.060.

11 NEW SECTION. **Sec. 6.** The chair is the presiding officer of the
12 board and has the following powers and duties:

13 (1) Appoint an executive director with the approval of the board.
14 The executive director, with approval of the board, shall employ staff
15 in accordance with chapter 41.06 RCW necessary to execute the policies
16 and decisions of the board;

17 (2) Enter into contracts on behalf of the board. All contracts are
18 subject to review and binding legal opinions by the attorney general's
19 office if disputed in a due process hearing by a party to such a
20 contract;

21 (3) Subject to explicit approval of a majority of the board, accept
22 and expend gifts, donations, grants, and other funds received by the
23 board; and

24 (4) Delegate administrative functions of the board to the executive
25 director and staff of the trust as necessary to ensure efficient
26 administration.

27 NEW SECTION. **Sec. 7.** (1) The board shall: (a) With advice from
28 the citizens' advisory committee and the technical advisory committee,
29 establish and keep current a set of health services to be financed by
30 the trust, as provided in section 11 of this act; (b) seek all
31 necessary waivers so that current federal and state payments for health
32 services to residents will be paid directly to the trust; (c) make
33 rules, policies, guidelines, and timetables needed for the trust to
34 finance the set of health services for all residents starting May 15,
35 2009; (d) develop or contract for the development of a statewide,
36 anonymous health care data system to use for quality assurance and cost

1 containment; (e) with advice from the technical advisory committee,
2 develop health care practice guidelines and quality standards; (f)
3 develop policies to protect confidentiality of patient records
4 throughout the health care delivery system and the claims payment
5 system; (g) make eligibility rules, including eligibility for residents
6 temporarily out-of-state; (h) develop or contract for development of a
7 streamlined uniform claims processing system that must pay providers in
8 a timely manner for covered health services; (i) develop appeals
9 procedures for residents and providers; (j) integrate functions with
10 other state agencies; (k) work with the citizens' advisory committee
11 and the technical advisory committee to balance benefits and provider
12 payments with revenues, and develop effective measures to control
13 excessive and unnecessary health care costs; (l) address nonfinancial
14 barriers to health care access; (m) monitor population migration into
15 Washington state to detect any trends related to availability of
16 universal health care coverage; and (n) develop an annual budget for
17 the trust.

18 (2) To the extent that the exercise of any of the powers and duties
19 specified in this section may be inconsistent with the powers and
20 duties of other state agencies, offices, or commissions, the authority
21 of the board supersedes that of such other state agency, office, or
22 commission.

23 NEW SECTION. **Sec. 8.** Beginning May 15, 2009, the board shall
24 adopt, in consultation with the office of financial management, an
25 annual Washington health security trust budget. Except by legislative
26 approval, each annual budget shall not exceed the budget for the
27 preceding year by more than the Washington state consumer price index.
28 If operations expenses exceed revenues generated in two consecutive
29 years, the board shall recommend adjustments in either benefits or
30 revenues, or both, to the legislature.

31 NEW SECTION. **Sec. 9.** (1) The board shall report annual changes in
32 total Washington health care costs, along with the financial position
33 and the status of the trust, to the governor and legislature at least
34 once a year.

35 (2) The board shall seek audits annually from the state auditor.

1 (3) The board shall contract with the state auditor for a
2 performance audit every two years.

3 (4) The board shall adopt bylaws, rules, and other appropriate
4 governance documents to ensure accountable, open, fair, effective
5 operations of the trust, including methods for electing trustees and
6 rules under which reserve funds may be prudently invested subject to
7 advice of the state treasurer and the director of the department of
8 financial management.

9 (5) The board shall submit any internal rules or policies it adopts
10 to the secretary of state. The internal rules or policies must be made
11 available by the secretary of state for public inspection.

12 NEW SECTION. **Sec. 10.** (1) All residents are eligible for coverage
13 through the trust.

14 (2) If a resident has health insurance coverage for any health
15 services provided in the state, the benefits provided in this act are
16 secondary to that insurance. Nonresidents are covered for emergency
17 services and emergency transportation only.

18 (3) Until federal waivers are accomplished, residents covered under
19 federal health programs shall continue to use that coverage, and
20 benefits provided by the trust shall extend only to costs not covered
21 by the federal health programs.

22 (4) The board shall make provisions for determining eligibility for
23 coverage for residents while they are temporarily out of the state.

24 (5) Pending integration of federally qualified Taft-Hartley trusts
25 into the health security trust, employees covered under Taft-Hartley
26 trusts are not eligible for coverage through the health security trust
27 unless: (a) The employee's salary is considered in calculating the
28 employer's health security assessment defined under section 16 of this
29 act; and (b) either the employer or the employee pays the health
30 security premium under section 17 of this act.

31 (6) Pending integration of federally qualified Taft-Hartley trusts
32 into the health security trust, residents who are retirees covered
33 under Taft-Hartley trusts are not eligible for coverage through the
34 health security trust unless they pay the health security premium under
35 section 17 of this act.

36 (7) Pending integration into the trust of applicable federal
37 programs described in section 21 of this act, Native American residents

1 are not eligible for coverage through the trust unless: (a) The Native
2 American resident's salary is considered in calculating the employer's
3 health security assessment defined under section 16 of this act; and
4 (b) either the employer or the Native American resident pays any health
5 security premium due under section 17 of this act.

6 (8) Nothing in this act shall be construed to limit a resident's
7 right to seek health care from any provider he or she chooses, or from
8 obtaining coverage for health care benefits in excess of those
9 available under the trust.

10 NEW SECTION. **Sec. 11.** (1) With advice from the citizens' advisory
11 committee and the technical advisory committee, the board shall
12 establish a single benefits package covering health services that are
13 effective and necessary for the good health of residents and that
14 emphasize preventive and primary health care.

15 (2) The benefits package shall include, but is not limited to: (a)
16 Inpatient and outpatient hospital care, including twenty-four hour a
17 day emergency services and emergency ambulance services; (b)
18 outpatient, home-based, and office-based care; (c) rehabilitation
19 services, including speech, occupational, and physical therapy; (d)
20 inpatient and outpatient mental health services and substance abuse
21 treatment; (e) hospice care; (f) prescription drugs and prescribed
22 medical nutrition; (g) vision and hearing care; (h) diagnostic tests;
23 (i) durable medical equipment; and (j) preventive care.

24 (3) Subject to a financial analysis demonstrating ongoing
25 sufficient funds in the trust, long-term care shall be a covered
26 benefit as of May 15, 2010. Long-term care coverage shall include a
27 uniform initial assessment and coordination between home health, adult
28 day care, and nursing home services, and other treatment alternatives.
29 The board shall establish a copayment for long-term nursing home care,
30 to cover some costs of room and board, for residents with incomes above
31 one hundred fifty percent of the federal poverty level. The board, in
32 coordination with the office of the insurance commissioner, shall
33 examine by May 15, 2010, possible remedies for residents who have made
34 previous payments for long-term care insurance.

35 (4) Except where otherwise prohibited by federal law, the board
36 shall establish copayments for outpatient visits, emergency room

1 visits, and prescription drugs for residents with incomes above one
2 hundred fifty percent of the federal poverty level. There shall be an
3 annual cap of five hundred dollars per family.

4 (5) The board shall submit to the legislature by July 1, 2010, a
5 plan to incorporate dental care coverage in the benefits package, to be
6 effective January 1, 2011.

7 (6) The board shall submit to the governor and legislature by
8 December 1, 2008, and by December 1st of the following years: (a) The
9 benefits package, and (b) an actuarial analysis of the cost of the
10 package.

11 (7) The board shall consider the extent to which medical research
12 and health professions training activities should be included in the
13 scope of covered activities set forth in this act. The board shall
14 make a report to the governor and the legislature by July 1, 2010.

15 (8) The board, in conjunction with the citizens' advisory committee
16 and the technical advisory committee, shall study medical savings
17 accounts funded by a portion of each resident's health security
18 premium. If the board deems that medical savings accounts are feasible
19 and would promote prudent use of health care services and reduce health
20 care costs to residents and the trust, the board is authorized to
21 establish them.

22 NEW SECTION. **Sec. 12.** (1) When consistent with existing federal
23 law, the board shall require pharmaceutical and durable medical
24 equipment manufacturers to provide their products in Washington state
25 at the lowest rate offered to federal and other government entities.

26 (2) The board may seek other means of financing drugs and durable
27 medical equipment at the lowest possible cost, including bulk
28 purchasing agreements with Washington state tribes.

29 (3) The board may enact drug formularies that do not interfere with
30 treatments necessary for appropriate standards of care.

31 NEW SECTION. **Sec. 13.** (1) The board shall adopt rules permitting
32 providers to collectively negotiate budgets, payment schedules, and
33 other terms and conditions of trust participation.

34 (2) The board shall annually negotiate with each hospital and each
35 facility a prospective global budget for operational and other costs to
36 be covered by the trust. Group practices may also negotiate on a

1 global budget basis. Hospitals and other facilities shall be paid on
2 a fee-for-service or case rate basis, within the limits of their
3 prospective annual budget.

4 (3) Payment to individual practitioners shall be by fee-for-service
5 or on a case rate basis. The board shall study the feasibility of
6 paying by capitation to providers, and how resident enrollment would
7 take place under capitation.

8 (4) Individual practitioners who are employed by a group, facility,
9 clinic, or hospital may be paid by salary.

10 (5) The board shall adopt rules ensuring that payment schedules and
11 procedures for mental health services are comparable to other health
12 care services.

13 (6) The board shall study and seek to develop provider payment
14 methods that: (a) Encourage an integrated multispecialty approach to
15 disease management; (b) reward education time spent with patients; and
16 (c) include a medical risk adjustment formula for providers whose
17 practices serve patients with higher than average health risks.

18 (7) Nothing in this act shall be construed to limit a provider's
19 right to receive payments from sources other than the trust. However,
20 any provider who does accept payment from the trust for a service must
21 accept that payment, along with applicable copayments, as payment in
22 full.

23 NEW SECTION. **Sec. 14.** (1) The intent of this section is to exempt
24 activities approved under this act from state antitrust laws and to
25 provide immunity from federal antitrust laws through the state action
26 doctrine.

27 (2) Activities that might otherwise be constrained by antitrust
28 laws, including: (a) Containing the aggregate cost of health care
29 services; (b) promoting cooperative activities among health care
30 providers to develop cost-effective health care delivery systems; and
31 (c) any other lawful actions taken under this act by any person or
32 entity created or regulated by this act, are declared to be pursuant to
33 state statute and for the public purposes of the state of Washington.

34 NEW SECTION. **Sec. 15.** (1) Administrative expenses to operate and
35 maintain the trust shall not exceed eleven percent of the trust's

1 annual budget. The board shall not shift administrative costs or
2 duties of the trust to providers or to resident beneficiaries.

3 (2) The board shall work with providers to develop and apply
4 scientifically based utilization standards, to use encounter and
5 prescribing data to detect excessive utilization, to develop due
6 processes for enforcing appropriate utilization standards, and to
7 identify and prosecute fraud.

8 (3) The board may institute other cost-containment measures in
9 order to maintain a balanced budget. The board shall pursue due
10 diligence to ensure that cost-containment measures do not limit access
11 to clinically necessary care, nor infringe upon legitimate clinical
12 decision making by practitioners.

13 NEW SECTION. **Sec. 16.** A new section is added to chapter 82.02 RCW
14 to read as follows:

15 In addition to and not in lieu of taxes imposed at the rates
16 established under chapter 82.04 RCW, all Washington state employers
17 shall pay a health security assessment to the department of revenue to
18 fund the Washington health security trust created in section 3 of this
19 act.

20 (1) Effective May 15, 2009, all employers in Washington state shall
21 pay in quarterly installments a health security assessment. Except as
22 provided in this section, the health security assessment shall be: (a)
23 Zero percent of aggregate gross quarterly payroll up to one hundred
24 twenty-five thousand dollars; and (b) ten percent of the amount of
25 aggregate gross quarterly payroll above one hundred twenty-five
26 thousand dollars.

27 (2) For purposes of determining the tax rates under subsection (1)
28 of this section, the quarterly payroll threshold of one hundred twenty-
29 five thousand dollars must be adjusted annually by the office of
30 financial management to reflect changes in the Washington state
31 consumer price index.

32 (3) The department of revenue shall assess a penalty at the rate of
33 two percent per month, or a fraction thereof, on any employer whose
34 applicable health security payroll assessment is not postmarked by the
35 last day of the month following the quarter in which it is due.

36 (4) The federal government, when an employer of Washington state

1 residents, is exempt from the health security assessment prior to the
2 repeal, amendment, or waiver of existing state and federal laws
3 delineated in section 21 of this act.

4 (5) Beginning May 15, 2009, until May 15, 2014, employers that face
5 financial hardship in paying the health security assessment, may, upon
6 application to the board of trustees created in section 4 of this act,
7 be eligible for waivers or reductions in the health security
8 assessment. The board shall establish rules and procedures governing
9 all aspects of the business assistance program, including application
10 procedures, thresholds regarding firm size, wages, profits, age of
11 firm, and duration of assistance.

12 (6) Pending integration of federally qualified Taft-Hartley trusts,
13 the payroll of employees covered under these trusts is exempt from the
14 health security assessment, although the employer may pay it
15 voluntarily.

16 (7) Pending repeal, amendment, or waiver of applicable state and
17 federal laws delineated in section 21 of this act, payroll of Native
18 American residents who elect not to participate in the health security
19 trust created in section 3 of this act is exempt from the health
20 security assessment.

21 (8) Eighty percent of the revenue collected under this section must
22 be deposited in the benefits account created in section 24 of this act.

23 (9) For the purposes of this section, the terms "employer,"
24 "payroll," and "resident" have the same meaning as defined in section
25 2 of this act.

26 NEW SECTION. **Sec. 17.** A new section is added to chapter 82.02 RCW
27 to read as follows:

28 (1) Effective May 15, 2009, all Washington residents eighteen years
29 old or older, except medicare beneficiaries, with incomes over one
30 hundred fifty percent of the federal poverty level shall pay a health
31 security premium of seventy-five dollars per month.

32 (2) Medicare beneficiaries with incomes over one hundred fifty
33 percent of the federal poverty level shall pay a health security
34 premium of fifty dollars per month.

35 (3) All premiums shall be adjusted annually by the office of
36 financial management to reflect changes in the Washington state
37 consumer price index.

1 (4) By May 15, 2009, the board of trustees of the Washington health
2 security trust, created in section 3 of this act, shall develop and
3 implement specific rules and procedures to subsidize the health
4 security premiums of residents, including medicare eligible residents,
5 whose household incomes are less than two hundred fifty percent of the
6 federal poverty level.

7 (5) Federal employees and retirees are exempt from the health
8 security premium prior to the repeal, amendment, or waiver of existing
9 federal laws delineated in section 21 of this act.

10 (6) Pending integration of federally qualified Taft-Hartley trusts,
11 employees and retirees covered under these trusts are exempt from the
12 health security premium, although the employer or employee may pay it
13 voluntarily.

14 (7) Pending repeal, amendment, or waiver of applicable state and
15 federal laws delineated in section 21 of this act, Native American
16 residents are exempt from paying the health security premium, although
17 the Native American resident or their employer may pay it voluntarily.

18 (8) Employers shall collect the health security premiums of their
19 employees through payroll deduction. An employee may also make the
20 premium payment for a nonworking spouse through payroll deduction.
21 Self-employed and nonemployed individuals shall pay their health
22 security premiums monthly to the department of revenue. The department
23 shall assess a penalty at the rate of two percent per month, or
24 fraction thereof, on all self-employed and nonemployed individuals
25 whose health security premium is not postmarked by the twentieth day
26 following the month it is due. Employers reserve the right either to
27 provide private health care coverage to an employee, or to pay the
28 health security premium on an employee's behalf, or both. As
29 employers, the state of Washington, counties, municipalities, school
30 districts, and other public jurisdictions shall pay the health security
31 premium for public employees, nonworking spouses of public employees,
32 and household members eighteen years old or older and whom they claim
33 as dependents for federal income tax purposes.

34 (9) Retirees who receive retirement benefits from a former employer
35 or a successor to the employer, other than in Taft-Hartley trusts or
36 through federal employment, may claim a credit against the health
37 security premium otherwise due under this section, if all or a portion

1 of the retirement benefits consists of health care benefits arising
2 from a contract of health insurance entered into between the employer,
3 or successor, and a health insurance provider.

4 (10) For the purposes of this section, the terms "employer,"
5 "federal poverty level," "income," and "resident" have the same meaning
6 as defined in section 2 of this act.

7 NEW SECTION. **Sec. 18.** Revenue derived from the health security
8 assessment, created in section 16 of this act, and the health security
9 premium, created in section 17 of this act, shall not be used to pay
10 for medical assistance currently provided under chapter 74.09 RCW or
11 other existing federal and state health care programs. If existing
12 federal and state sources of payment for health services are reduced or
13 terminated after the effective date of this section, the legislature
14 shall replace these appropriations from the general fund.

15 NEW SECTION. **Sec. 19.** (1) The health care authority is hereby
16 abolished and its powers, duties, and functions are hereby transferred
17 to the Washington health security trust. All references to the
18 administrator or the health care authority in the Revised Code of
19 Washington shall be construed to mean the chair or the Washington
20 health security trust.

21 (2)(a) All reports, documents, surveys, books, records, files,
22 papers, or written material in the possession of the health care
23 authority shall be delivered to the custody of the Washington health
24 security trust. All cabinets, furniture, office equipment, motor
25 vehicles, and other tangible property employed by the health care
26 authority shall be made available to the Washington health security
27 trust. All funds, credits, or other assets held by the health care
28 authority shall be assigned to the Washington health security trust.

29 (b) Any appropriations made to the health care authority shall, on
30 the effective date of this section, be transferred and credited to the
31 Washington health security trust.

32 (c) If any question arises as to the transfer of any personnel,
33 funds, books, documents, records, papers, files, equipment, or other
34 tangible property used or held in the exercise of the powers and the
35 performance of the duties and functions transferred, the director of

1 financial management shall make a determination as to the proper
2 allocation and certify the same to the state agencies concerned.

3 (3) All employees of the health care authority are transferred to
4 the jurisdiction of the Washington health security trust. All
5 employees classified under chapter 41.06 RCW, the state civil service
6 law, are assigned to the Washington health security trust to perform
7 their usual duties upon the same terms as formerly, without any loss of
8 rights, subject to any action that may be appropriate thereafter in
9 accordance with the laws and rules governing state civil service.

10 (4) All rules and all pending business before the health care
11 authority shall be continued and acted upon by the Washington health
12 security trust. All existing contracts and obligations shall remain in
13 full force and shall be performed by the Washington health security
14 trust.

15 (5) The transfer of the powers, duties, functions, and personnel of
16 the health care authority shall not affect the validity of any act
17 performed before the effective date of this section.

18 (6) If apportionments of budgeted funds are required because of the
19 transfers directed by this section, the director of financial
20 management shall certify the apportionments to the agencies affected,
21 the state auditor, and the state treasurer. Each of these shall make
22 the appropriate transfer and adjustments in funds and appropriation
23 accounts and equipment records in accordance with the certification.

24 (7) Nothing contained in this section may be construed to alter any
25 existing collective bargaining unit or the provisions of any existing
26 collective bargaining agreement until the agreement has expired or
27 until the bargaining unit has been modified by action of the personnel
28 resources board as provided by law.

29 NEW SECTION. **Sec. 20.** Effective January 1, 2009, until April 30,
30 2009, all employers in Washington state shall pay health security
31 assessments that are equivalent to three and two-tenths percent of
32 gross quarterly payroll. The department of revenue will collect these
33 moneys. Twenty percent of these revenues must be deposited in the
34 reserve account, created in section 22 of this act. Eighty percent of
35 these revenues must be deposited in the benefits account, created in
36 section 24 of this act. Employers who pay this assessment may be

1 eligible for partial or full rebates within two years, if there are
2 sufficient surpluses in the trust.

3 NEW SECTION. **Sec. 21.** (1) The board, in consultation with
4 sovereign tribal governments as called for by the centennial accord,
5 shall determine the state and federal laws that need to be repealed,
6 amended, or waived to implement this act, and report its
7 recommendations, with proposed revisions to the Revised Code of
8 Washington, to the governor and the appropriate committees of the
9 legislature by October 1, 2008.

10 (2) The governor, in consultation with the board and sovereign
11 tribal governments as called for by the centennial accord, shall take
12 the following steps in an effort to receive waivers or exemptions from
13 federal statutes necessary to fully implement this act:

14 (a) Negotiate with the federal department of health and human
15 services, health care financing administration, to obtain a statutory
16 or regulatory waiver of provisions of the medical assistance statute,
17 Title XIX of the federal social security act and the children's health
18 insurance program;

19 (b) Negotiate with the federal department of health and human
20 services, health care financing administration, to obtain a statutory
21 or regulatory waiver of provisions of the medicare statute, Title XVIII
22 of the federal social security act, that currently constitute barriers
23 to full implementation of this act;

24 (c) Negotiate with the federal department of health and human
25 services to obtain any statutory or regulatory waivers of provisions of
26 the United States public health services act necessary to ensure
27 integration of federally funded community and migrant health clinics
28 and other health services funded through the public health services act
29 into the trust system under this act;

30 (d) Negotiate with the federal office of personnel management for
31 the inclusion of federal employee health benefits in the trust under
32 this act;

33 (e) Negotiate with the federal department of veterans' affairs for
34 the inclusion of veterans' medical benefits in the trust under this
35 act;

36 (f) Negotiate with the federal department of defense and other

1 federal agencies for the inclusion of the civilian health and medical
2 program of the uniformed services (CHAMPUS) in the trust under this
3 act;

4 (g) Negotiate with the Indian health services and sovereign tribal
5 governments for inclusion and adequate reimbursement of Indian health
6 benefits under the trust created by this act; and

7 (h) Request that the United States congress amend the internal
8 revenue code to treat the employer health security assessment, created
9 in section 16 of this act, and the individual health security premiums,
10 created in section 17 of this act, as fully deductible from adjusted
11 gross income.

12 NEW SECTION. **Sec. 22.** (1) The reserve account is created in the
13 custody of the state treasurer. The reserve account will accumulate
14 moneys until its value equals ten percent of the total annual budgeted
15 expenditures of the trust and then will be considered fully funded,
16 unless the legislature determines that a different level of reserve is
17 necessary and prudent. Whenever the reserve account is fully funded,
18 additional moneys shall be transferred to the benefits account created
19 in section 24 of this act.

20 (2) Receipts from the following sources must be deposited into the
21 reserve account: (a) Twenty percent of the health security assessments
22 paid by employers under section 20 of this act between January 1, 2009,
23 and April 30, 2009; (b) effective May 15, 2009, seven percent of
24 receipts from the health security assessment created under section 16
25 of this act and seven percent of the receipts from the health security
26 premium created under section 17 of this act; and (c) ten percent of
27 all moneys received pursuant to RCW 41.05.120, 41.05.130, 66.24.290,
28 82.24.020, 82.26.020, 82.08.150, 43.79.480, 41.05.220, and section 33
29 of this act.

30 (3) Expenditures from the reserve account may be used only for the
31 purposes of health care services and maintenance of the trust. Only
32 the board or the board's designee may authorize expenditures from the
33 account. The account is subject to allotment procedures under chapter
34 43.88 RCW, but an appropriation is not required for expenditures.

35 NEW SECTION. **Sec. 23.** (1) The displaced worker training account
36 is created in the custody of the state treasurer. Between May 15,

1 2009, and January 1, 2011, three percent of the receipts from the
2 health security assessment created in section 16 of this act and three
3 percent of the health security premium created in section 17 of this
4 act must be deposited into the account. Expenditures from the account
5 may be used only for retraining and job placement of workers displaced
6 by the transition to the trust. Only the board or the board's designee
7 may authorize expenditures from the account. The account is subject to
8 allotment procedures under chapter 43.88 RCW, but an appropriation is
9 not required for expenditures.

10 (2) Any funds remaining in the account on December 31, 2011, must
11 be deposited into the benefits account created in section 24 of this
12 act.

13 (3) This section expires January 1, 2012.

14 NEW SECTION. **Sec. 24.** The benefits account is created in the
15 custody of the state treasurer. All receipts from the health security
16 assessment created under section 16 of this act and the health security
17 premium created under section 17 of this act that are not dedicated to
18 the reserve account created in section 22 of this act or the displaced
19 worker training account created in section 23 of this act, as well as
20 receipts from other sources, must be deposited into the account.
21 Expenditures from the account may be used only for health care services
22 and maintenance of the trust. Only the board or the board's designee
23 may authorize expenditures from the account. The account is subject to
24 allotment procedures under chapter 43.88 RCW, but an appropriation is
25 not required for expenditures.

26 **Sec. 25.** RCW 41.05.120 and 2005 c 518 s 921 and 2005 c 143 s 3 are
27 each reenacted and amended to read as follows:

28 ~~((+1)) Contributions from RCW 41.05.050, and reserves, dividends,~~
29 ~~and refunds currently in the public employees' and retirees' insurance~~
30 ~~account ((is hereby established in the custody of the state treasurer,~~
31 ~~to be used by the administrator for the deposit of contributions, the~~
32 ~~remittance paid by school districts and educational service districts~~
33 ~~under RCW 28A.400.410, reserves, dividends, and refunds, for payment of~~
34 ~~premiums for employee and retiree insurance benefit contracts and~~
35 ~~subsidy amounts provided under RCW 41.05.085, and transfers from the~~
36 ~~medical flexible spending account as authorized in RCW 41.05.123.~~

1 Moneys from the account shall be disbursed by the state treasurer by
2 warrants on vouchers duly authorized by the administrator. Moneys from
3 the account may be transferred to the medical flexible spending account
4 to provide reserves and start-up costs for the operation of the medical
5 flexible spending account program.

6 (2) The state treasurer and the state investment board may invest
7 moneys in the public employees' and retirees' insurance account. All
8 such investments shall be in accordance with RCW 43.84.080 or
9 43.84.150, whichever is applicable. The administrator shall determine
10 whether the state treasurer or the state investment board or both shall
11 invest moneys in the public employees' insurance account.

12 (3) During the 2005-07 fiscal biennium, the legislature may
13 transfer from the public employees' and retirees' insurance account
14 such amounts as reflect the excess fund balance of the fund)) shall be
15 deposited in the reserve account pursuant to section 22 of this act and
16 the benefits account pursuant to section 24 of this act.

17 **Sec. 26.** RCW 41.05.130 and 1988 c 107 s 11 are each amended to
18 read as follows:

19 The state health care authority administrative account is ((~~hereby~~
20 ~~created in the state treasury~~)) transferred to the reserve account
21 created in section 22 of this act and the benefits account created in
22 section 24 of this act. Moneys in the account, including unanticipated
23 revenues under RCW 43.79.270, ((~~may be spent only after appropriation~~
24 ~~by statute, and may be used only for operating expenses of the~~
25 ~~authority~~)) are transferred to the reserve account created in section
26 22 of this act and the benefits account created in section 24 of this
27 act.

28 **Sec. 27.** RCW 66.24.290 and 2003 c 167 s 5 are each amended to read
29 as follows:

30 (1) Any microbrewer or domestic brewery or beer distributor
31 licensed under this title may sell and deliver beer and strong beer to
32 holders of authorized licenses direct, but to no other person, other
33 than the board; and every such brewery or beer distributor shall report
34 all sales to the board monthly, pursuant to the regulations, and shall
35 pay to the board as an added tax for the privilege of manufacturing and
36 selling the beer and strong beer within the state a tax of one dollar

1 and thirty cents per barrel of thirty-one gallons on sales to licensees
2 within the state and on sales to licensees within the state of bottled
3 and canned beer, including strong beer, shall pay a tax computed in
4 gallons at the rate of one dollar and thirty cents per barrel of
5 thirty-one gallons. Any brewery or beer distributor whose applicable
6 tax payment is not postmarked by the twentieth day following the month
7 of sale will be assessed a penalty at the rate of two percent per month
8 or fraction thereof. Beer and strong beer shall be sold by breweries
9 and distributors in sealed barrels or packages. The moneys collected
10 under this subsection shall be distributed as follows: (a) Three-
11 tenths of a percent shall be distributed to border areas under RCW
12 66.08.195; and (b) of the remaining moneys: (i) Twenty percent shall
13 be distributed to counties in the same manner as under RCW 66.08.200;
14 and (ii) eighty percent shall be distributed to incorporated cities and
15 towns in the same manner as under RCW 66.08.210.

16 (2) An additional tax is imposed on all beer and strong beer
17 subject to tax under subsection (1) of this section. The additional
18 tax is equal to two dollars per barrel of thirty-one gallons. All
19 revenues collected during any month from this additional tax shall be
20 deposited in the violence reduction and drug enforcement account under
21 RCW 69.50.520 by the twenty-fifth day of the following month.

22 (3)(a) An additional tax is imposed on all beer and strong beer
23 subject to tax under subsection (1) of this section. The additional
24 tax is equal to ninety-six cents per barrel of thirty-one gallons
25 through June 30, 1995, two dollars and thirty-nine cents per barrel of
26 thirty-one gallons for the period July 1, 1995, through June 30, 1997,
27 and four dollars and seventy-eight cents per barrel of thirty-one
28 gallons thereafter.

29 (b) The additional tax imposed under this subsection does not apply
30 to the sale of the first sixty thousand barrels of beer each year by
31 breweries that are entitled to a reduced rate of tax under 26 U.S.C.
32 Sec. 5051, as existing on July 1, 1993, or such subsequent date as may
33 be provided by the board by rule consistent with the purposes of this
34 exemption.

35 (c) All revenues collected from the additional tax imposed under
36 this subsection (3) shall be deposited in the (~~health services account~~
37 ~~under RCW 43.72.900~~) reserve account created in section 22 of this act
38 and the benefits account created in section 24 of this act.

1 (4) An additional tax is imposed on all beer and strong beer that
2 is subject to tax under subsection (1) of this section that is in the
3 first sixty thousand barrels of beer and strong beer by breweries that
4 are entitled to a reduced rate of tax under 26 U.S.C. Sec. 5051, as
5 existing on July 1, 1993, or such subsequent date as may be provided by
6 the board by rule consistent with the purposes of the exemption under
7 subsection (3)(b) of this section. The additional tax is equal to one
8 dollar and forty-eight and two-tenths cents per barrel of thirty-one
9 gallons. By the twenty-fifth day of the following month, three percent
10 of the revenues collected from this additional tax shall be distributed
11 to border areas under RCW 66.08.195 and the remaining moneys shall be
12 transferred to the state general fund.

13 (5) The board may make refunds for all taxes paid on beer and
14 strong beer exported from the state for use outside the state.

15 (6) The board may require filing with the board of a bond to be
16 approved by it, in such amount as the board may fix, securing the
17 payment of the tax. If any licensee fails to pay the tax when due, the
18 board may forthwith suspend or cancel his or her license until all
19 taxes are paid.

20 **Sec. 28.** RCW 82.24.020 and 2003 c 114 s 1 are each amended to read
21 as follows:

22 (1) There is levied and there shall be collected as provided in
23 this chapter, a tax upon the sale, use, consumption, handling,
24 possession or distribution of all cigarettes, in an amount equal to the
25 rate of eleven and one-half mills per cigarette.

26 (2) An additional tax is imposed upon the sale, use, consumption,
27 handling, possession, or distribution of all cigarettes, in an amount
28 equal to the rate of five and one-fourth mills per cigarette. All
29 revenues collected during any month from this additional tax shall be
30 deposited in the violence reduction and drug enforcement account under
31 RCW 69.50.520 by the twenty-fifth day of the following month.

32 (3) An additional tax is imposed upon the sale, use, consumption,
33 handling, possession, or distribution of all cigarettes, in an amount
34 equal to the rate of ten mills per cigarette through June 30, 1994,
35 eleven and one-fourth mills per cigarette for the period July 1, 1994,
36 through June 30, 1995, twenty mills per cigarette for the period July
37 1, 1995, through June 30, 1996, and twenty and one-half mills per

1 cigarette thereafter. All revenues collected during any month from
2 this additional tax shall be deposited in the (~~health services~~)
3 reserve account created in section 22 of this act and the benefits
4 account created (~~under RCW 43.72.900~~) in section 24 of this act by
5 the twenty-fifth day of the following month.

6 (4) Wholesalers subject to the payment of this tax may, if they
7 wish, absorb one-half mill per cigarette of the tax and not pass it on
8 to purchasers without being in violation of this section or any other
9 act relating to the sale or taxation of cigarettes.

10 (5) For purposes of this chapter, "possession" shall mean both (a)
11 physical possession by the purchaser and, (b) when cigarettes are being
12 transported to or held for the purchaser or his or her designee by a
13 person other than the purchaser, constructive possession by the
14 purchaser or his or her designee, which constructive possession shall
15 be deemed to occur at the location of the cigarettes being so
16 transported or held.

17 **Sec. 29.** RCW 82.26.020 and 2005 c 180 s 3 are each amended to read
18 as follows:

19 (1) There is levied and there shall be collected a tax upon the
20 sale, handling, or distribution of all tobacco products in this state
21 at the following rate:

22 (a) Seventy-five percent of the taxable sales price of cigars, not
23 to exceed fifty cents per cigar; or

24 (b) Seventy-five percent of the taxable sales price of all tobacco
25 products that are not cigars.

26 (2) Taxes under this section shall be imposed at the time the
27 distributor (a) brings, or causes to be brought, into this state from
28 without the state tobacco products for sale, (b) makes, manufactures,
29 fabricates, or stores tobacco products in this state for sale in this
30 state, (c) ships or transports tobacco products to retailers in this
31 state, to be sold by those retailers, or (d) handles for sale any
32 tobacco products that are within this state but upon which tax has not
33 been imposed.

34 (3) The moneys collected under this section shall be deposited as
35 follows:

36 (a) Thirty-seven percent in the general fund;

1 (b) (~~Fifty~~) Twenty-five percent in the (~~health services account~~
2 ~~created under RCW 43.72.900~~) reserve account created in section 22 of
3 this act; (~~and~~)

4 (c) Twenty-five percent in the benefits account created in section
5 24 of this act; and

6 (d) Thirteen percent in the water quality account under RCW
7 70.146.030 for the period beginning July 1, 2005, through June 30,
8 2021, and in the general fund for the period beginning July 1, 2021.

9 **Sec. 30.** RCW 82.08.150 and 2005 c 514 s 201 are each amended to
10 read as follows:

11 (1) There is levied and shall be collected a tax upon each retail
12 sale of spirits in the original package at the rate of fifteen percent
13 of the selling price. The tax imposed in this subsection shall apply
14 to all such sales including sales by the Washington state liquor stores
15 and agencies, but excluding sales to spirits, beer, and wine restaurant
16 licensees.

17 (2) There is levied and shall be collected a tax upon each sale of
18 spirits in the original package at the rate of ten percent of the
19 selling price on sales by Washington state liquor stores and agencies
20 to spirits, beer, and wine restaurant licensees.

21 (3) There is levied and shall be collected an additional tax upon
22 each retail sale of spirits in the original package at the rate of one
23 dollar and seventy-two cents per liter. The additional tax imposed in
24 this subsection shall apply to all such sales including sales by
25 Washington state liquor stores and agencies, and including sales to
26 spirits, beer, and wine restaurant licensees.

27 (4) An additional tax is imposed equal to fourteen percent
28 multiplied by the taxes payable under subsections (1), (2), and (3) of
29 this section.

30 (5) An additional tax is imposed upon each retail sale of spirits
31 in the original package at the rate of seven cents per liter. The
32 additional tax imposed in this subsection shall apply to all such sales
33 including sales by Washington state liquor stores and agencies, and
34 including sales to spirits, beer, and wine restaurant licensees. All
35 revenues collected during any month from this additional tax shall be
36 deposited in the violence reduction and drug enforcement account under
37 RCW 69.50.520 by the twenty-fifth day of the following month.

1 (6)(a) An additional tax is imposed upon retail sale of spirits in
2 the original package at the rate of one and seven-tenths percent of the
3 selling price through June 30, 1995, two and six-tenths percent of the
4 selling price for the period July 1, 1995, through June 30, 1997, and
5 three and four-tenths of the selling price thereafter. This additional
6 tax applies to all such sales including sales by Washington state
7 liquor stores and agencies, but excluding sales to spirits, beer, and
8 wine restaurant licensees.

9 (b) An additional tax is imposed upon retail sale of spirits in the
10 original package at the rate of one and one-tenth percent of the
11 selling price through June 30, 1995, one and seven-tenths percent of
12 the selling price for the period July 1, 1995, through June 30, 1997,
13 and two and three-tenths of the selling price thereafter. This
14 additional tax applies to all such sales to spirits, beer, and wine
15 restaurant licensees.

16 (c) An additional tax is imposed upon each retail sale of spirits
17 in the original package at the rate of twenty cents per liter through
18 June 30, 1995, thirty cents per liter for the period July 1, 1995,
19 through June 30, 1997, and forty-one cents per liter thereafter. This
20 additional tax applies to all such sales including sales by Washington
21 state liquor stores and agencies, and including sales to spirits, beer,
22 and wine restaurant licensees.

23 (d) All revenues collected during any month from additional taxes
24 under this subsection shall be deposited in the (~~health services~~
25 ~~account created under RCW 43.72.900~~) reserve account created in
26 section 22 of this act and the benefits account created in section 24
27 of this act by the twenty-fifth day of the following month.

28 (7)(a) An additional tax is imposed upon each retail sale of
29 spirits in the original package at the rate of one dollar and thirty-
30 three cents per liter. This additional tax applies to all such sales
31 including sales by Washington state liquor stores and agencies, but
32 excluding sales to spirits, beer, and wine restaurant licensees.

33 (b) All revenues collected during any month from additional taxes
34 under this subsection shall be deposited by the twenty-fifth day of the
35 following month as follows:

36 (i) 97.5 percent into the general fund;

37 (ii) (~~2.3~~) 1.15 percent into the (~~health services account~~

1 ~~created under RCW 43.72.900))~~ reserve account created in section 22 of
2 this act; (~~and~~)

3 (iii) 1.15 percent into the benefits account created in section 24
4 of this act; and

5 (iv) 0.2 percent into the violence reduction and drug enforcement
6 account created under RCW 69.50.520.

7 (8) The tax imposed in RCW 82.08.020 shall not apply to sales of
8 spirits in the original package.

9 (9) The taxes imposed in this section shall be paid by the buyer to
10 the seller, and each seller shall collect from the buyer the full
11 amount of the tax payable in respect to each taxable sale under this
12 section. The taxes required by this section to be collected by the
13 seller shall be stated separately from the selling price and for
14 purposes of determining the tax due from the buyer to the seller, it
15 shall be conclusively presumed that the selling price quoted in any
16 price list does not include the taxes imposed by this section.

17 (10) As used in this section, the terms, "spirits" and "package"
18 shall have the meaning ascribed to them in chapter 66.04 RCW.

19 **Sec. 31.** RCW 43.79.480 and 2005 c 424 s 12 are each amended to
20 read as follows:

21 (1) Moneys received by the state of Washington in accordance with
22 the settlement of the state's legal action against tobacco product
23 manufacturers, exclusive of costs and attorneys' fees, shall be
24 deposited in the tobacco settlement account created in this section
25 except as these moneys are sold or assigned under chapter 43.340 RCW.

26 (2) The tobacco settlement account is created in the state
27 treasury. Moneys in the tobacco settlement account may only be
28 transferred to the (~~health services account for the purposes set forth~~
29 ~~in RCW 43.72.900)) reserve account created in section 22 of this act
30 and the benefits account created in section 24 of this act, and to the
31 tobacco prevention and control account for purposes set forth in this
32 section. The legislature shall transfer amounts received as strategic
33 contribution payments as defined in RCW 43.350.010 to the life sciences
34 discovery fund created in RCW 43.350.070.~~

35 (3) The tobacco prevention and control account is created in the
36 state treasury. The source of revenue for this account is moneys
37 transferred to the account from the tobacco settlement account,

1 investment earnings, donations to the account, and other revenues as
2 directed by law. Expenditures from the account are subject to
3 appropriation.

4 **Sec. 32.** RCW 41.05.220 and 1998 c 245 s 38 are each amended to
5 read as follows:

6 ~~((1))~~ State general funds appropriated to the department of
7 health for the purposes of funding community health centers to provide
8 primary health and dental care services, migrant health services, and
9 maternity health care services shall be transferred to the ~~((state~~
10 ~~health care authority))~~ reserve account created in section 22 of this
11 act and the benefits account created in section 24 of this act. Any
12 related administrative funds expended by the department of health for
13 this purpose shall also be transferred to the ~~((health care authority))~~
14 reserve account created in section 22 of this act and the benefits
15 account created in section 24 of this act. The Washington health
16 ~~((care authority))~~ security trust shall exclusively expend these funds
17 through contracts with community health centers to provide primary
18 health and dental care services, migrant health services, and maternity
19 health care services. The ~~((administrator))~~ chair of the Washington
20 health ~~((care authority))~~ security trust shall establish requirements
21 necessary to assure community health centers provide quality health
22 care services that are appropriate and effective and are delivered in
23 a cost-efficient manner. The ~~((administrator))~~ chair of the Washington
24 health security trust shall further assure that community health
25 centers have appropriate referral arrangements for acute care and
26 medical specialty services not provided by the community health
27 centers.

28 ~~((2) The authority, in consultation with the department of health,~~
29 ~~shall work with community and migrant health clinics and other~~
30 ~~providers of care to underserved populations, to ensure that the number~~
31 ~~of people of color and underserved people receiving access to managed~~
32 ~~care is expanded in proportion to need, based upon demographic data.))~~

33 NEW SECTION. **Sec. 33.** Following the repeal, amendment, or waiver
34 of existing state and federal laws delineated in section 21 of this
35 act, all other revenues currently deposited in the health services

1 account for personal health care services shall be deposited to the
2 reserve account created in section 22 of this act and the benefits
3 account created in section 24 of this act.

4 NEW SECTION. **Sec. 34.** Nothing in this act shall be construed to
5 limit an employer's right to maintain employee benefit plans under the
6 federal employee retirement income security act of 1974.

7 NEW SECTION. **Sec. 35.** No later than January 1, 2009, the board
8 shall submit to the legislature a proposal to integrate those current
9 and future federally qualified Taft-Hartley trusts that choose to
10 participate in the trust.

11 NEW SECTION. **Sec. 36.** On or before January 1, 2010, the board, in
12 coordination with the department of labor and industries, shall study
13 and make a report to the governor and appropriate committees of the
14 legislature on the provision of medical benefits for injured workers
15 under the trust.

16 NEW SECTION. **Sec. 37.** The sum of fifty million dollars, or as
17 much thereof as may be necessary, is appropriated for the fiscal year
18 ending June 30, 2009, from the general fund to the benefits account of
19 the Washington health security trust for start-up moneys for purposes
20 of this act during the period of July 1, 2008, through June 30, 2009.

21 NEW SECTION. **Sec. 38.** The following acts or parts of acts are
22 each repealed:

23 (1) RCW 82.04.260 (Tax on manufacturers and processors of various
24 foods and by-products--Research and development organizations--Travel
25 agents--Certain international activities--Stevedoring and associated
26 activities--Low-level waste disposers--Insurance agents, brokers, and
27 solicitors--Hospitals--Commercial airplane activities--Timber product
28 activities--Canned salmon processors) and 2006 c 354 s 4 & 2006 c 300
29 s 1; and

30 (2) RCW 48.14.0201 (Premiums and prepayments tax--Health care
31 services--Exemptions--State preemption) and 2005 c 405 s 1, 2005 c 223
32 s 6, 2005 c 7 s 1, 2004 c 260 s 24, 1998 c 323 s 1, 1997 c 154 s 1,
33 1993 sp.s. c 25 s 601, & 1993 c 492 s 301.

1 NEW SECTION. **Sec. 39.** Sections 1 through 15, 18, 19, 21 through
2 24, and 33 through 35 of this act constitute a new chapter in Title 43
3 RCW.

4 NEW SECTION. **Sec. 40.** (1) Sections 22 through 24 of this act take
5 effect January 1, 2009.

6 (2) Sections 19, 25 through 34, and 38 of this act take effect May
7 15, 2009.

8 NEW SECTION. **Sec. 41.** If any provision of this act or its
9 application to any person or circumstance is held invalid, the
10 remainder of the act or the application of the provision to other
11 persons or circumstances is not affected.

12 NEW SECTION. **Sec. 42.** If any part of this act is found to be in
13 conflict with federal requirements that are a prescribed condition to
14 the allocation of federal funds to the state, the conflicting part of
15 this act is inoperative solely to the extent of the conflict and with
16 respect to the agencies directly affected, and this finding does not
17 affect the operation of the remainder of this act in its application to
18 the agencies concerned. Rules adopted under this act must meet federal
19 requirements that are a necessary condition to the receipt of federal
20 funds by the state.

--- END ---